

SENATE BILL 530  
By McNally

AN ACT relative to tax credits for recycling and to amend  
Tennessee Code Annotated, Title 67, Chapter 4, Parts 8  
and 9.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-4-804(a), is amended by adding  
the following new items to be appropriately numbered:

( ) "Recycling" means any process by which solid wastes are collected,  
separated, or processed and reused or returned to use in the form of raw materials or  
products.

( ) "Waste reduction, reuse or recycling equipment" means machinery and  
equipment located in Tennessee on the last day of the taxable year, designed to  
separate, process, modify, convert, or treat solid waste so that the resulting product may  
be used as a raw material or for productive use. This term also includes devices that are  
directly connected with, or are an integral and necessary part of, such machinery and  
equipment. "Waste reduction, reuse or recycling equipment" does not include motor  
vehicles.

SECTION 2. Tennessee Code Annotated, Section 67-4-808, is amended by adding the  
following new subdivisions:

**\*78540918\***

78540918

**\*001314\***

\*00131424\*

(A) On each excise tax return, there shall be allowed as a credit thirty percent (30%) of the purchase price of waste reduction, reuse or recycling equipment purchased during the tax period covered by the return upon which the credit is claimed;

(B) The credit taken on any return, however, shall not exceed fifty percent (50%) of the excise tax liability shown by any such return before the credit is taken;

(C) Any unused credit incurred for fiscal years ending on or after March 15, 1997, may be carried forward in any tax period for fifteen (15) years or until such credit is taken;

(D) If any such waste reduction, reuse or recycling equipment, for the purchase of which a tax credit has been allowed, is sold or removed from this state during its useful life according to the depreciation guidelines in effect for excise tax purposes, the department shall be entitled to recapture a portion of the credit allowed by increasing the excise tax liability of any taxpayer, for the taxable period during which such equipment was sold or removed, in an amount equal to the percentage of useful life remaining on such waste reduction, reuse or recycling equipment at the time of sale or removal times the total credit taken on the purchase of such equipment;

(E) For purposes of the allowance of the credit against excise taxes under this section, any taxpayer who is a lessee of waste reduction, reuse or recycling equipment and the original user thereof (including a lessee from an industrial development corporation as defined by Title 7, Chapter 53, or other tax exempt entity) shall be treated as having purchased such equipment during the tax period in which it is placed in service by the lessee, at an amount equal to its purchase price; and

(F) If waste reduction, reuse or recycling equipment is leased for a period which constitutes less than eighty percent (80%) of its useful life, then the lessee shall be deemed to have purchased only a portion of such equipment, at an amount determined

by multiplying the actual purchase price of the equipment by a fraction, the numerator of which is the lease term, and the denominator the useful life of the leased machinery.

(G) The cost of replacement parts that serve only to keep existing waste reduction, reuse, or recycling equipment in its ordinary efficient operating condition will not be included in determining the amount of the credit. The cost of replacement of existing waste reduction, reuse, or recycling equipment will not be included in determining the amount of the credit unless the replacement provides greater capacity for recycling or provides the capability to collect, process, modify, convert, treat, or manufacture additional or a different type of solid waste.

(H) The cost of service contracts, sales tax, maintenance, and repair will not be included in determining the amount of the credit.

( ) (A) On each excise tax return, there shall be allowed as a credit twenty percent (20%) of the cost of recycling materials purchased during the tax period covered by the return upon which the credit is claimed;

(B) The credit taken on any return, however, shall not exceed fifty percent (50%) of the excise tax liability shown by any such return before the credit is taken;

(C) Any unused credit incurred for fiscal years ending on or after March 15, 1997 may be carried forward in any tax period for fifteen (15) years or until such credit is taken.

SECTION 3. Tennessee Code Annotated, Section 67-4-908, is amended by deleting subsection (b) in its entirety and by substituting instead the following:

(b)(1) On each franchise tax return, there shall be allowed as a credit five percent (5%) of the purchase price of waste reduction, reuse or recycling equipment purchased during the tax period covered by the return upon which the credit is claimed;

(2) The credit taken on any return, however, shall not exceed fifty percent (50%) of the tax liability shown by any such return before the credit is taken;

(3) Any unused credit incurred for fiscal years ending on or after March 15, 1997, may be carried forward in any tax period for fifteen (15) years or until such credit is taken;

(4) If any such waste reduction, reuse or recycling equipment, for the purchase of which a tax credit has been allowed, is sold or removed from this state during its useful life according to the depreciation guidelines in effect for tax purposes, the department shall be entitled to recapture a portion of the credit allowed by increasing the tax liability of any taxpayer, for the taxable period during which such equipment was sold or removed, in an amount equal to the percentage of useful life remaining on such waste reduction, reuse or recycling equipment at the time of sale or removal times the total credit taken on the purchase of such equipment;

(5) For purposes of the allowance of the credit against taxes under this section, any taxpayer who is a lessee of waste reduction, reuse or recycling equipment and the original user thereof (including a lessee from an industrial development corporation as defined by Title 7, Chapter 53, or other tax exempt entity) shall be treated as having purchased such equipment during the tax period in which it is placed in service by the lessee, at an amount equal to its purchase price; and

(6) If waste reduction, reuse or recycling equipment is leased for a period which constitutes less than eighty percent (80%) of its useful life, then the lessee shall be deemed to have purchased only a portion of such equipment, at an amount determined by multiplying the actual purchase price of the equipment by a fraction, the numerator of which is the lease term, and the denominator the useful life of the leased machinery.

(7) The cost of replacement parts that serve only to keep existing waste reduction, reuse, or recycling equipment in its ordinary efficient operating condition will not be included in determining the amount of the credit. The cost of replacement of existing waste reduction, reuse, or recycling equipment will not be included in

determining the amount of the credit unless the replacement provides greater capacity for recycling or provides the capability to collect, process, modify, convert, treat, or manufacture additional or a different type of solid waste.

(8) The cost of service contracts, sales tax, maintenance, and repair will not be included in determining the amount of the credit.

(c)(1) On each franchise tax return, there shall be allowed as a credit twenty percent (20%) of the cost of recycling materials purchased during the tax period covered by the return upon which the credit is claimed;

(2) The credit taken on any return, however, shall not exceed fifty percent (50%) of the liability shown by any such return before the credit is taken;

(3) Any unused credit incurred for fiscal years ending on or after March 15, 1997 may be carried forward in any tax period for fifteen (15) years or until such credit is taken.

(d) There shall be no other credits.

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it, and shall apply to all tax years beginning on or after January 1, 1997.